

## **Actuarial Rate Review Summary**

**Company:** Anthem Health Plans of Kentucky, Inc  
**Line of Business:** Individual ACA-Compliant NGF Plans  
**Rate Effective Date:** 1/1/2017

### **Rate Change Summary**

Requested Rate Increases: 22.9% ranging from 16.8% to 29.5%: 71,290 policy holders

### **Final Determination:**

We recommend approval of the Company's proposed 2017 rate filing without modifications to the originally submitted rates.

### **Filing Note, Issues and/or Concerns**

The Company's requested rate increase of 22.9% was driven primarily to the following pricing assumptions:

- Risk adjustment transfer assumption;
- Reinsurance;
- Projection factors.

We were also informed that the Company would be changing its PPO coverage from what was initially submitted by removing out of state benefits and reducing the PPO service area from 120 to 46 counties. The Company stated this change in its PPO coverage is not anticipated to have a rating impact.

### **Summary**

The Company is using a trend assumption of 11.2% in the current rate development compared to last year's trend assumption of 10.7%. The Company stated the increase in the trend assumption is due to Pharmacy costs associated specialty drugs used to treat Hepatitis C. We requested and were provided quantitative support for the increase in the assumed trend rate from last year's filing.

The Company stated that their Individual ACA block of business does not have adequate historical experience so the trend development is based on its historical Small Group experience, normalized for changes in age and benefits, morbidity, workday changes, unit cost changes (contracting), flu changes, medical management savings, large claims, and seasonality changes. This is a typical approach we've seen Companies use in developing their trend assumption.

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The Company's 2017 risk adjustment receivable assumption is \$2.05 PMPM, which implies the Company anticipates to be sicker than the market. This assumption is consistent with the previous rate filing's risk adjustment receivable of \$1.44 PMPM as well as the actual 2015 risk adjustment receivable of \$4.16 PMPM shown in CMS's final 2015 risk adjustment report. The Company's assumed 2015 total risk adjustment receivable payment was \$9,185,834 for 2015 while the report showed that it would actually only receive \$3,129,303. While the difference in total dollar amount is large, the impact of having the Company revise the proposed 2017 rates for this updated information would be negligible given the large market share Anthem has in the individual market. In our opinion, the Company's risk adjustment assumption is reasonable and any changes would likely have minimal impact on the final rates. No additional support will be requested at this time.

Our primary concern with the filing was due to the Company's assumption that there would be no required rating changes as a result of the Company decision to change its PPO coverage from what was initially submitted by removing out of state benefits and reducing the PPO service area from 120 to 46 counties. It seemed counterintuitive for the originally submitted actuarially certified premiums, which included out of state coverage, could have been priced correctly if the Company now feels it's imperative to eliminate out of state coverage but not result in a rate revision.

In light of the above rationale, along with the quantitative demonstration the Company showing the net effect of the proposed changes, we are recommending allowing the Company's changes as reasonable.

